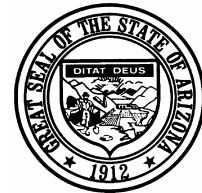


ARIZONA

TAXNEWS



Janet Napolitano, Governor

J. Elliott Hibbs, Director

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ARIZONA DEPARTMENT OF REVENUE

MISSION STATEMENT

The purpose of the Arizona Department of Revenue is to promote voluntary compliance with all tax obligations through fair administration, firm enforcement, and prompt and courteous service in a manner that justifies the highest degree of public confidence in our efficiency and integrity.

WE'RE ON THE WEB!

The Arizona TaxNews can be viewed on our Internet website:

www.revenue.state.az.us

ARIZONA TAX AMNESTY STARTS WITH A BANG

There were over 11,000 visitors to www.taxamnesty.az.gov, the official Arizona Tax Amnesty web site, as of August 28th. There is obviously significant public interest, since the Arizona Tax Amnesty period doesn't actually begin until September 1. There have been over 5,000 amnesty applications downloaded, with the income, withholding and luxury tax application receiving the most requests by a 2:1 margin over the transaction privilege and use tax application.

Back year tax forms have also been popular. Tax forms for 2000 through 2002 and for the 1990s are the most requested tax years, but there have been a number of forms from the 1980s downloaded as well. Business and individual tax forms seem to be in equal demand.

"We are very pleased with this level of response even before the amnesty period has started," Arizona Department of Revenue Director J. Elliott Hibbs commented. "This indicates that there are many taxpayers planning to benefit through this tax amnesty period."

Tax amnesty has two benefits for the state. First, it accelerates the collection of delinquent taxes by persons voluntarily correcting past tax problems. Second, it gets these taxpayers on the tax rolls to help pay for future essential services. It also provides incentives for taxpayers to come clean on past Arizona tax obligations. These incentives are reduced interest and no penalties.

Arizona Tax Amnesty applications and back tax returns must be filed between September 1 and October 31 to take advantage of the benefits/incentives. Individuals and businesses that should have filed tax returns and didn't, and those who incorrectly reported income or expenses, have an opportunity for a clean slate.

Past due Arizona state tax returns (income, transaction privilege, use, luxury, and withholding) as far back as 1983 can be filed during the tax amnesty period by both businesses and individuals with no civil or criminal penalties and reduced interest. An amnesty application and the missing tax returns must be filed during these two months, and at least one third of the tax must be paid by October 31. The remaining balance will be billed in equal monthly installments, and the total amount must be paid by May 1, 2004.

Amnesty is very important for businesses and individuals who have unfiled returns or incorrectly reported income and expenses because added staff and new, automated tools will aid the Department of Revenue in identifying and assessing non-filers and under-reporting taxpayers much more easily in the near future.

"Arizona Tax Amnesty provides a small window of opportunity for all businesses and individuals to make sure they are current with their tax filing obligations," explained Hibbs. "Plus, they save money because of the reduced interest and waiver of penalties, so I encourage them to act now."

(Continued on page 5)

*** REMINDER ***

FOR NON-EFT TPT FILERS

To avoid a delinquency, postmark your August 2003 TPT return no later than September 25, 2003 or deliver to DOR no later than September 29, 2003.

June Summary of General Fund Revenues

	June 2003	Fiscal Year Total
Individual Income Tax		
Net Collections	\$193,708,405	\$1,667,180,256
Percent Change*	61.9%	0.1%
Corporate Income Tax		
Net Collections	\$83,793,539	\$389,406,346
Percent Change*	34.5%	12.5%
Transaction Privilege, Severance & Use Taxes		
Net Collections	\$258,857,980	\$3,027,135,359
Change*	3.7%	1.8%
Total Big Three Tax Types		
Net Collections	\$536,359,924	\$5,083,721,961
Percent Change*	24.2%	2.0%

() Decrease from same month last year.

* Percent change from same month last year.

Individual Income Tax

Individual Income Tax Receipts

	June 2003	June 2002	% Change
Gross Collections	\$62,895,078	\$65,416,280	(3.9)
Withholding	194,218,952	172,012,537	12.9
Refunds	(27,525,704)	(82,615,084)	(66.7)
Urban Rev Sharing	(35,879,921)	(35,156,381)	2.1
Net Collections	\$193,708,405	\$119,657,352	61.9

	(02/03)	(01/02)	% Change
Fiscal Year Total			
Gross Collections	\$640,628,165	\$689,703,076	(7.1)
Withholding	2,306,331,271	2,306,965,207	0.0
Refunds	(849,220,126)	(910,019,556)	(6.7)
Urban Rev Sharing	(430,559,053)	(421,876,573)	2.1
Net Collections	\$1,667,180,256	\$1,664,772,154	0.1

Included in the refund amounts above are refunds relating to the alternative fuel vehicle income tax credit. After offsetting \$6,051 in tax liability, \$81,018 was refunded. This amount does not include withholding and estimated payments returned to taxpayers because their liability was covered by the alternative fuel vehicle credit.

TAX CALENDAR

SEPTEMBER 2003

Due Date		For Period Ending
1	State Holiday-Labor Day	All State Offices Closed
15	Income Tax Returns:	5/31/03
	Form 120: Corporation	
	Form 140: Individual	
	Form 141: Fiduciary	
	Form 165: Partnership	
15	Form 120: Corporation with Automatic Extension	11/30/02
15	Form 120S: S Corporation	6/30/03
15	Form 99: Exempt Organization Annual Information Return	
	Form 99T: Exempt Organization	5/31/03
15	Form 120ES: Estimated Tax Payment, Corporation	
	First Installment	5/31/04
	Second Installment	3/31/04
	Third Installment	12/31/03
	Fourth Installment	9/30/03
22	Form TPT-1: Transaction Privilege Tax: August Monthly Filers	8/31/03
22	Bingo: Financial Reports	8/31/03
22	Luxury Tax: Various Forms	8/31/03
25	EFT Form TPT-1 and Payment: Transaction Privilege Tax: August Monthly Filers	8/31/03

Withholding Tax Payment Information:

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **exceeds** \$1,500 the employer must make its Arizona withholding payments to the Department of Revenue at the same time as the employer is required to make federal withholding deposits.

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **does not exceed** \$1,500 the employer must make its Arizona withholding payments to the department on a quarterly basis.

The *Arizona TaxNews* is a publication of the Arizona Department of Revenue. Information contained herein is of a general nature and is not designed to address complex issues in detail. Taxpayers requiring information concerning a specific tax matter should contact the appropriate office. This newsletter is available in an alternative format upon request. Subscription information may be obtained from the Publications Unit at 602-716-6797 or toll free from area codes 520 & 928, 1-877-863-0655.

CHANGE IN TOWN TAX CODE—CITY OF SIERRA VISTA

Effective November 1, 2003: The Mayor and City Council of the City of Sierra Vista passed ordinance number 2003-009. Ordinance 2003-009 increases the Sierra Vista City Privilege Tax from **1.50% to 5.50%** on the Hotel Classification section 8a-444. The Tax on Hotels shall be reported using **SR4**. Ordinance 2003-009 also decreases the **Additional Tax on Transient Lodging to 0%**.

This ordinance does not allow for a provision for pre-existing contracts.

Effective November 1, 2003: The Mayor and City Council of the City of Sierra Vista passed ordinance number 2003-010. Ordinance 2003-010 increases the Sierra Vista City Privilege Tax from **1.50% to 1.60%** on the Retail Classification section 8a-460. The Tax on Retail shall be reported using **SR5**. The effect of ordinance 2003-010 is to increase the retail tax rate to 1.60% for the City of Sierra Vista until October 31, 2006. On November 1, 2006 the rate will be reduce to 1.50%

This ordinance does not allow for a provision for pre-existing contracts.

Effective November 1, 2003: The Mayor and City Council of the City of Sierra Vista passed ordinance number 2003-011. Ordinance 2003-011 increases the Sierra Vista City Privilege Tax from **1.50% to 2.60%** on the Restaurant and Bar Classification section 8a-455. The Tax on Restaurant and Bars shall be reported using **SR3**.

The effect of ordinance 2003-011 is to increase the Restaurant and Bar Tax rate to 2.60% for the City of Sierra Vista until October 31, 2006. On November 1, 2006 the rate will be reduce to 1.50%.

This ordinance does not allow for a provision for pre-existing contracts.

Effective November 1, 2003: The Mayor and City Council of the City of Sierra Vista passed ordinance number 2003-012. Ordinance 2003-012 selects Model Option 15 thus instituting Article VI-Use Tax of the Model City Tax Code. The City of Sierra Vista use tax rate is 1.6% and shall be reported using **SR2**.

The effect of ordinance 2003-011 is to establish a use tax rate of 1.60% for the City of Sierra Vista until October 31, 2006. On November 1, 2006 the rate will be reduce to 0%.

This ordinance does not allow for a provision for pre-existing contracts.

The following will be the official reporting codes for Sierra Vista:

Privilege Tax	SR	1.50%
Use Tax	SR2	1.60%
Restaurant/Bar	SR3	2.60%
Hotel/Motel	SR4	5.50%
Retail Sales	SR5	1.60%
Utilities/Telecommunications	SR8	2.00%
Jet Fuel	SR9	\$0.02/gal

E-Mail Your Questions

If you have a question that you cannot find the answer to, our Technical Assistance personnel may prove useful to you. We will gladly respond to any e-mail technical tax inquiry. All inquiries will be responded to within two working days.

E-mail your question to: TaxpayerAssistance@revenue.state.az.us

In the interest of maintaining confidentiality, DOR cannot respond to inquiries that include a Social Security number, FEIN, TPT or W/H number, or other specific taxpayer identifiers.

TAXPAYERS CAN TRACK ADVANCE CHILD TAX CREDIT CHECKS ON IRS.GOV

IRS NEWS RELEASE: IR-2003-98

DATE POSTED: 08/08/2003

WASHINGTON — With the final set of advance child tax credit checks being mailed today, the IRS reminds taxpayers they can use IRS.gov to get information about the amount or status of their checks. People who filed after April 15 — for example, those with extensions — will get any advance payment they are entitled to receive after the IRS processes their 2002 return.

About 7.9 million checks totaling \$4.8 billion are being sent today, marking the third and final week of the initial mail out of 24 million checks totaling about \$14 billion. The checks represent an advance of this year's increase in the child tax credit and generally go to parents who claimed the credit on their 2002 returns.

Taxpayers eligible for the credit who filed their tax return after April 15 or who have yet to file their 2002 tax returns because of an extension, will have their

advance child tax credits sent to them after their return is processed. Aug. 15 is the filing deadline for those who filed for an automatic extension.

"The only thing a taxpayer needs to do is cash the check," said Mark W. Everson, IRS Commissioner. "If you qualify, we'll send you a notice. There's no need to call, no need to apply, no need to fill out another form. The IRS will do all the work."

To find out the amount and mailing date of their check, taxpayers are turning to the "Where's My Advance Child Tax Credit?" feature on IRS.gov. In less than a month, taxpayers have used this online tool more than 9 million times to check the status of their Advance Child Tax Credit. It provides taxpayers with useful basic information, such mailing dates and amounts.

It also explains any adjustments to payments for child support, taxes owed or other federal debts. For those who do not qualify, it provides a description of likely reasons.

ARIZONA TAX TALK 2003

Mark your calendar now for this year's Arizona Tax Talk. Arizona Department of Revenue joins Arizona Forum for the Improvement of Taxation (AFIT) and the Internal Revenue Service for this year's conference.

Dates scheduled are:

December 2 & 3—Sheraton Phoenix Airport
1600 S 52nd St., Tempe 85281.
For hotel reservations,
please call 480-967-6600.

December 9 & 10—Radisson Hotel City Center
Tucson, 181 W Broadway,
Tucson 85701.

For hotel reservations,
please call 520-624-8711.

December 16 & 17—Glendale Civic Center,
5750 W Glenn Dr.,
Glendale 85301

More information will be available soon. Please check the website at www.revenue.state.az.us or call 602-542-3062 for additional information.

90TH ANNUAL ARIZONA TAX CONFERENCE

“NEW TAX STRUCTURE FOR A NEW ECONOMY”

WHERE: Little America Hotel, 2515 E Butler Ave.,
Flagstaff AZ

WHEN: September 17, 18, 19, 2003

For more information, please check the website at
www.revenue.state.az.us/Conference/Conference.htm
or call 602-716-6806.

Co-sponsored by the Arizona Association of Assessing
Officers & the Arizona Department of Revenue

Tentative Conference Agenda

Wednesday, September 17, 2003

9:00 AM Golf Tournament @ Elden Hills
Golf Course, Flagstaff, AZ
(Awards following the golf tournament)
4:00 PM Hotel Check In
3:00-6:00 PM Conference Registration
5:30-7:00 PM Welcoming Reception

Thursday, September 18, 2003

7:30-8:15 AM Registration and Continental
Breakfast
8:30-9:15 AM Opening Session – Welcome to the
Arizona Tax Conference

The Honorable Melody Capps, Apache
County Assessor and President of the Arizona
Association of Assessing Officers

J. Elliott Hibbs, Director, Arizona Department
of Revenue

George Cunningham, Deputy Chief of Staff/
Finance & Budget, Governor Napolitano's
Office

9:15-10:15 AM

Tax Reform: Developing a Tax System for
the 21st Century

10:30-11:30 AM

Legislative View of Tax Reform Proposals

12:00 PM

Luncheon

Concurrent Sessions

1:30-2:45 PM

- Hot Topics: Property Tax Administration
- Streamlined Sales Tax Project

3:00-4:15 PM

- Hot Topics: Property Tax Appeals Process
- Income Tax Panel

4:30- 5:30 PM Social Hour

Friday, September 19, 2003

Concurrent Sessions

8:30-9:45 AM

- Litigation Update
- Personal Property Tax: Role in Overall Tax
Strategy

General Session

10:00-11:30 AM

Open Meeting of the Tax Reform for Arizona
Citizens Committee

11:30 AM

Closing Remarks and Adjournment

(Continued from page 1)

Failure to act now could result in penalties up to
50% of the tax liability and full compounded interest
that far exceeds the tax liability. An example of the
savings available by filing now is a taxpayer that
files a 1990 tax return during the amnesty period
owing \$500 tax would have to pay a total of \$930
versus at least \$1429 after the amnesty period.

Applying for Arizona Tax Amnesty is simple. The
tax amnesty application, tax forms for the years
included, questions and answers, contact information
and additional materials can be found on the Internet
at www.taxamnesty.az.gov.

Help can also be obtained by visiting any of the
three Department of Revenue offices -- 1600 W

Monroe in Phoenix, 3191 N Washington in
Chandler, 400 W Congress in Tucson -- or by calling
the Arizona Tax Amnesty call center at 602 364-
3550 or 1-800 352-4090 (toll-free from area codes
520 and 928).

“Don’t let this opportunity slip away,” cautioned Hibbs.
“If you fail to act now, we’ll find you later, and it will
cost you a lot more.”

Assistance Available

A separate room in the basement of the Department
of Revenue building at 1600 W Monroe is set up for
tax amnesty assistance and will be staffed during
normal business hours, starting September 2.



COMMENTS REQUESTED ON RULING

Last month the Department announced the name of the new web site for online filing and registration and future technological improvements, AzTaxes.gov. Starting on January 2, 2004 Arizona will join the ranks of states that offer E-file opportunities for businesses. This Internet-based tool will allow online registration, filing and payment of taxes, and account management for registered users.

The proposed rule for business and user registration of the new site has been published by the

Department for review and comment. Use this link to get to the proposed rule:

www.revenue.state.az.us/tra/electronic_rule.pdf.

The proposed rule outlines the process and requirements for registration of businesses and users on the new website. Comments about the proposed rule are due to the Department by **September 14, 2003**. Businesses and tax professionals will need to register before they will be allowed to use the capabilities of the site.